

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-02234A
H2O Inc.
41502 N Schnepf Rd
Queen Creek AZ 85240



RECEIVED

APR 30 2008

ARIZONA CORP COMM
Director Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2007
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FOR COMMISSION USE

ANN 04	07
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PROCESSED BY:

5-1-08

SCANNED

COMPANY INFORMATION

Company Name (Business Name) H2O Inc

Mailing Address 41502 N Schnepf Road
(Street)

Queen Creek Arizona 85240
(City) (State) (Zip)

480-491-6971 480-491-6739
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address _____

Local Office Mailing Address 41502 N Schnepf Rd
(Street)

Queen Creek Arizona 85240
(City) (State) (Zip)

Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: Donald Schnepf President
(Name) (Title)

41502 N Schnepf Rd Queen Creek Arizona 85240
(Street) (City) (State) (Zip)

480-491-6971 Ext. 107 480-491-6739
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address donald@futureone.com

On Site Manager: Same as above
(Name)

(Street) (City) (State) (Zip)

Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Darel Schnepf

(Name)

11051 E Balancing Rock Rd

(Street)

Scottsdale

(City)

Arizona

(State)

85267

(Zip)

480-491-6971

Telephone No. (Include Area Code)

480-491-6739

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Attorney: Richard L Sallquist – Sallquist & Drummond

(Name)

4500 S Lakeshore Drive #339

(Street)

Tempe

(City)

Arizona

(State)

85282

(Zip)

480-839-5202

Telephone No. (Include Area Code)

480-345-0412

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☒ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☒ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises	135934.69	480.05	135454.64
303	Land and Land Rights	7954.00		7954.00
304	Structures and Improvements	635596.88	26507.25	609089.63
307	Wells and Springs	255855.98	47853.91	208002.07
311	Pumping Equipment	4651864.90	790659.79	3861205.11
320	Water Treatment Equipment	51404.19	13342.00	38062.19
330	Distribution Reservoirs and Standpipes	2984417.29	169724.88	2814692.41
331	Transmission and Distribution Mains	1662841.09	404925.09	1257916.00
333	Services	224290.32	53800.40	170489.92
334	Meters and Meter Installations	2616550.45	641731.30	1974819.15
335	Hydrants	53981.86	6378.14	47603.72
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	102424.75	49168.80	53255.95
341	Transportation Equipment	136500.89	44135.94	92364.95
343	Tools, Shop and Garage Equipment	72315.23	14023.56	58291.67
344	Laboratory Equipment			
345	Power Operated Equipment	29568.68	26078.24	3490.44
346	Communication Equipment	233245.76	33165.21	200080.55
347	Miscellaneous Equipment			
348	Other Tangible Plant	149414.39	61599.48	87814.91
	TOTALS	14004161.35	2383574.04	11620587.31

This amount goes on the Balance Sheet Acct. No. 108



CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises	135934.69		
303	Land and Land Rights	7954.00		
304	Structures and Improvements	635596.88	3.33	19689.25
307	Wells and Springs	255855.98	3.33	8520.00
311	Pumping Equipment	4651864.90	12.50	580739.31
320	Water Treatment Equipment	51404.19	3.33	1711.76
330	Distribution Reservoirs and Standpipes	2984417.29	2.22	66254.06
331	Transmission and Distribution Mains	1662841.09	2.00	33195.61
333	Services	224290.32	3.33	7189.30
334	Meters and Meter Installations	2616550.45	8.33	204375.68
335	Hydrants	53981.86	2.00	993.25
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	102424.75	6.67	6408.56
341	Transportation Equipment	136500.89	20.00	25774.05
343	Tools, Shop and Garage Equipment	72315.23	5.00	3123.27
344	Laboratory Equipment			
345	Power Operated Equipment	29568.68	5.00	1478.43
346	Communication Equipment	233245.76	10.00	22939.00
347	Miscellaneous Equipment			
348	Other Tangible Plant	149414.39	5.00	7470.72
	TOTALS	14004161.35		989862.25

272

Less CIAC amortization

This amount goes on the Comparative Statement of Income and Expense

Acct. No. 403.

-215055.21
774807.04

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$2556178.62	\$2980945.34
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	237607.47	268319.19
146	Notes/Receivables from Associated Companies	116082.25	152908.16
151	Plant Material and Supplies		
162	Prepayments	2927.00	1765.05
174	Miscellaneous Current and Accrued Assets	5200.00	46839.66
	TOTAL CURRENT AND ACCRUED ASSETS	\$2917995.34	\$3450777.40
	FIXED ASSETS		
101	Utility Plant in Service	\$12987345.26	\$14004161.35
103	Property Held for Future Use	49528.03	1236.00
105	Construction Work in Progress	498743.31	3166159.08
108	Accumulated Depreciation – Utility Plant	-1442003.82	-2383574.04
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$12093612.78	\$14787982.39
	TOTAL ASSETS	\$15011608.12	\$18238759.79

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$122593.19	\$148483.91
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	32443.96	32443.96
235	Customer Deposits	120551.17	144934.23
236	Accrued Taxes	28208.80	-134536.97
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$303797.12	\$191325.13
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$186377.55	\$176652.54
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	4666614.40	8302868.10
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	9271032.34	12234488.74
272	Less: Amortization of Contributions		-215055.21
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$13937646.74	\$20322301.63
	TOTAL LIABILITIES	\$14427821.41	\$20690279.30
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$38785.47	\$38785.47
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	545001.24	-2490304.98
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$583786.71	\$-2451519.51
	TOTAL LIABILITIES AND CAPITAL	\$15011608.12	\$18238759.79

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$2908115.44	\$3554728.87
460	Unmetered Water Revenue		
474	Other Water Revenues	208697.11	218450.83
	TOTAL REVENUES	\$3116812.55	\$3773179.70
	OPERATING EXPENSES		
601	Salaries and Wages	\$735250.30	\$912778.80
610	Purchased Water	77793.33	85715.05
615	Purchased Power	232041.43	314858.95
618	Chemicals	4229.38	7093.61
620	Repairs and Maintenance	169791.82	205319.84
621	Office Supplies and Expense	70994.65	62326.74
630	Outside Services	266330.68	70571.88
635	Water Testing	12289.11	22020.22
641	Rents	175062.70	194460.79
650	Transportation Expenses	214459.18	211974.78
657	Insurance – General Liability	52245.34	12368.25
659	Insurance - Health and Life	27819.06	70714.99
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	200093.02	156860.58
403	Depreciation Expense	322569.50	774807.04
408	Taxes Other Than Income	80959.17	78393.90
408.11	Property Taxes	74994.06	133605.80
409	Income Tax	3600.00	157640.00
	TOTAL OPERATING EXPENSES	\$2720522.73	\$3471511.22
	OPERATING INCOME/(LOSS)	\$396289.82	\$301668.48
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$28783.44	\$80446.32
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	-15863.94	-16829.02
	TOTAL OTHER INCOME/(EXPENSE)	\$12919.50	\$63617.30
	NET INCOME/(LOSS)	\$409209.32	\$365285.78

COMPANY NAME	H2O Inc.
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SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	1985	1999		
Source of Loan	Well & Pump Purchase	WIFA		
ACC Decision No.	56327	62620		
Reason for Loan	Backup Source Well	New Source Pump & Storage		
Dollar Amount Issued	\$ 40000.00	\$ 254117.00	\$	\$
Amount Outstanding	\$	\$ 198280.13	\$	\$
Date of Maturity	Open	2021		
Interest Rate	9.0%	5.84%	%	%
Current Year Interest	\$	\$ 11888.37	\$	\$
Current Year Principle	\$	\$ 9677.92	\$	\$

Meter Deposit Balance at Test Year End \$ 1,878,480.83

Meter Deposits Refunded During the Test Year \$ 178,756.50

COMPANY NAME	H2O Inc.
Name of System:	ADEQ Public Water System Number: 11-060

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-605835 (1)	200	1050	1200'	20/16	6"	1950
55-605837 (3)	200	500	1200'	16/14	8"	1966
55-605834 (4)	300	1400	1200'	16/14	10"	1966
55-605836 (2)	N/A	N/A	1200'	20/16	N/A	1950
55-625006 (CG)	300	1400	940'	16	10"	1972
55-609158 (PCN)	300	1200	878'	16	10"	1946

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Queen Creek Water Co.	N/A	33331.93

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
100	2	1325	
50	21		
20	3		
15	7		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
See Attached Table-1		5000 gal	7

Note: If you are filing for more than one system, please provide separate sheets for each system.

H2O, INC.
SOURCE and STORAGE CAPACITIES
USED-AVAILABLE-FUTURE

TABLE-1 AS OF 3/26/2008

STORAGE:								
SIZE Dia x H	TANK ID	PLANT ID	SUBDIVISION AREA		ADEQ FILE #	STORAGE CAPACITY		
33 x 32	Tank-1	Main Plant	QCR		N/A	204,739	POE-001	In-Use
52 x 32	Tank-2	Main Plant	QCR		20000176	508,368	POE-001	In-Use
40 x 32	Phase A	Links/Cambria	Links/Cambria		990239	300,810	In System	In-Use
63.5 x 32	Phase B	Links/Cambria	Links/Cambria		20010125	758,087	In System	In-Use
68 x 32	Tank-1	Castlegate	Castlegate		20020165	869,340	POE-002	In-Use
68 x 32	Tank-2	Castlegate	Castlegate		20020165	869,340	POE-002	In-Use
68 x 32	Tank-1	Pecan Creek North	Pecan Creek North		20040021	869,340	POE-003	In-Use
68 x 32	Tank-2	Pecan Creek North	Pecan Creek North		20040021	869,340	POE-003	In-Use
78 x 24	Tank-1 ***	Pecan Creek South	Pecan Creek South		20050521	857,871	POE-004	Completed
78 x 24	Tank-2 ***	Pecan Creek South	Pecan Creek South		20050521	857,871	POE-004	Completed

COMPANY NAME	H2O Inc.
Name of System:	ADEQ Public Water System Number: 11-060

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS		
Size (in inches)	Material	Length (in feet)
2		
3		
4	PVC	13,109
5		
6	PVC	159,544
8	PVC	336,948
10	PVC	
12	PVC	265,581

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 X 3/4	239
3/4	7289
1	226
1 1/2	28
2	108
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

2 – Capital Control Gas Chlorinator

3 – Regal Gas Chlorinator

STRUCTURES:

Electric Service Entrances on Wells 1,3,4, Castlegate & Pecan Creek North

Electric Service Entrances on Booster Plants: Main, Links, Castlegate & Pecan Creek North

Chlorine enclosures at Main, Well #4, Castlegate, Links & Pecan Creek North

Steel Shade over Pumps & Elect. Equipment at Main, Links, Castlegate & Pecan Creek North

8' Block Walls at Main, Well #4, Links, Castlegate & Pecan Creek North

Chain Link fence at Well #3

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME:	H2O Inc.
Name of System:	ADEQ Public Water System Number: 11-060

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	6744	59485.9	58348	800.012
FEBRUARY	6878	48228.0	30980	1177.754
MARCH	6892	62797.1	66431	1791.487
APRIL	6996	78873.3	91711	2449.673
MAY	7069	105091.1	116760	3298.038
JUNE	7016	137034.4	129022	4519.144
JULY	7146	129261.8	129930	4060.107
AUGUST	7347	101507.3	115280	3068.001
SEPTEMBER	7551	116055.2	109483	4152.266
OCTOBER	7714	89926.2	98440	2904.597
NOVEMBER	7845	79622.4	97277	2654.097
DECEMBER	7890	52885.1	48521	1456.749
TOTALS →		222433.71	1092183	33331.93

What is the level of arsenic for each well on your system? See Attached List mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 1500 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
(X) Yes () No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes () No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
(X) Yes () No

If yes, provide the GPCPD amount: 100

Note: If you are filing for more than one system, please provide separate data sheets for each system.

H2O, INC.

**ACC Annual Report
Arsenic levels in each well
Calender Year 2007**

SAMPLE DATE	POE#	ARSENIC LEVEL'S ppb
------------------------	-------------	------------------------------------

Well No. 4 ADWR# 55-605834

POE-001

12-Feb-07		0.003
11-Jun-07		0.004
12-Jul-07		0.004

CG Well ADWR# 55-625006

POE-002

12-Feb-07		0.003
22-Jun-07		0.003
9-Jul-07		0.003

PCN Well ADWR# 55-609158

POE-003

1/10/07		0.002
2/12/07		0.002
3/12/07		0.003
6/11/07		<0.002
7/9/07		0.003
8/8/07		0.003
9/10/07		<0.002
10/10/07		0.003
11/5/07		0.003
12/4/07		0.003

COMPANY NAME H2O Inc YEAR ENDING 12/31/2007

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2007 was: \$ 102,899.60

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPF ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

6915

4/17/2007

PAY TO THE
ORDER OF PINAL COUNTY TREASURER

\$ **36,430.66

Thirty-Six Thousand Four Hundred Thirty and 66/100 ***** DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

COPY NOT NEGOTIABLE

⑈006915⑈ ⑆103102041⑆ 10023227⑈

H2O, INC. / OPERATING ACCOUNT

6915

PINAL COUNTY TREASURER

4/17/2007

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/15/2006	Bill	908-44-44040	36,351.36	36,351.36		36,351.36
09/15/2006	Bill	104-22-008S	79.30	79.30		79.30
				Check Amount		36,430.66

OPERATING ACCOUNT

36,430.66

⑈111000036⑈
04/23/2007
6216705558

This is a LEGAL COPY of
your check. You can use it
the same way you would
use the original check.

002310076152 04/20/2007

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPF ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

6915

4/17/2007

PAY TO THE
ORDER OF PINAL COUNTY TREASURER \$ 36,430.66

Thirty-Six Thousand Four Hundred Thirty and 66/100 DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

⑈006915⑈ ⑆103102041⑆ 10023227⑈

⑈0003643066⑈

Check 6915, Amount \$36,430.66 Processed 4/23/2007

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPF ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

7692

10/1/2007

PAY TO THE ORDER OF PINAL COUNTY TREASURER

\$ **66,468.94

Sixty-Six Thousand Four Hundred Sixty-Eight and 94/100

DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

VOID AFTER 90 DAYS

COPY NOT NEGOTIABLE

⑈007692⑈ ⑆10310204⑆ 10023227⑈

H2O, INC. / OPERATING ACCOUNT

7692

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
9/11/2007	Bill	104-47-0383	62.68	62.68		62.68
9/11/2007	Bill	104-46-061B5	85.32	85.32		85.32
9/11/2007	Bill	104-46-077C5	63.70	63.70		63.70
9/11/2007	Bill	908-44-403F2	19.50	19.50		19.50
9/11/2007	Bill	104-69-001F1	12.98	12.98		12.98
9/11/2007	Bill	104-28-007H7	531.06	531.06		531.06
9/11/2007	Bill	104-22-008S2	111.22	111.22		111.22
9/11/2007	Bill	908-44-40404	65,389.38	65,389.38		65,389.38
9/11/2007	Bill	908-44-401S3	193.10	193.10		193.10
				Check Amount		66,468.94

OPERATING ACCOU

66,468.94

H2O, INC. OPERATING ACCOUNT 41502 NORTH SCHNEPF ROAD QUEEN CREEK, AZ 85242	HOME NATIONAL BANK 86-204/1031	7692
PAY TO THE ORDER OF PINAL COUNTY TREASURER		10/1/2007
Sixty-Six Thousand Four Hundred Sixty-Eight and 94/100		\$ **66,468.94
PINAL COUNTY TREASURER P.O. BOX 729 FLORENCE, AZ 85232-0729		DOLLARS
VOID AFTER 90 DAYS		
⑈007692⑈ ⑆10310204⑆ 10023227⑈		⑈0006646894⑈

Check 7692, Amount \$66,468.94 Processed 10/9/2007

**VERIFICATION
AND
SWORN STATEMENT**
Taxes

RECEIVED

APR 30 2008

WATKINS COMM
Director Utilities

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	Pinal
NAME (OWNER OR OFFICIAL) TITLE	Donald Schnepf - President
COMPANY NAME	H2O Inc.

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING


MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



SIGNATURE OF OWNER OR OFFICIAL
480-491-6971

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

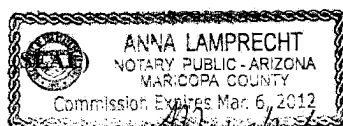
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

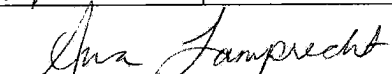
28th

DAY OF

COUNTY NAME	<u>Maricopa</u>	
MONTH	<u>April</u>	<u>2008</u>



MY COMMISSION EXPIRES March 6, 2012



SIGNATURE OF NOTARY PUBLIC

COMPANY NAME H2O Inc. **YEAR ENDING 12/31/2007**

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported To Be Determined
Estimated or Actual Federal Tax Liability _____

State Taxable Income Reported _____
Estimated or Actual State Tax Liability _____

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
Amount of Gross-Up Tax Collected _____
Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

SIGNATURE

DATE

PRINTED NAME

TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED

APR 23 2008

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	Pinal
NAME (OWNER OR OFFICIAL) TITLE	Donald Schnepf - President
COMPANY NAME	H2O Inc.

ARIZONA CORP COMM
Director Utilities

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT


IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2007 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 3,773,179.70

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 254,719.62
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**


SIGNATURE OF OWNER OR OFFICIAL
491-6971
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

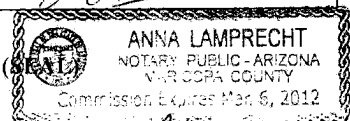
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

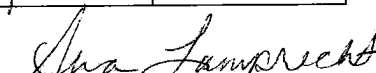
28th

DAY OF

COUNTY NAME	Maricopa	
MONTH	April	2008



MY COMMISSION EXPIRES March 6, 2012


SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only**

RECEIVED

APR 2 2008

ARIZONA CORP COMMISSION
Director Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	Pinal	
NAME (OWNER OR OFFICIAL)	Donald Schnepf	TITLE President
COMPANY NAME	H2O Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

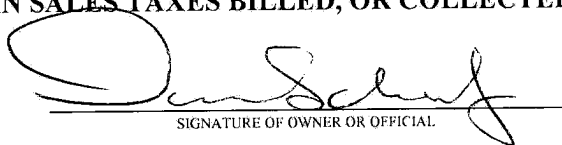
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2007 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 3042783.53

THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 205783.08
IN SALES TAXES BILLED, OR COLLECTED)

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL

480-491-6931

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

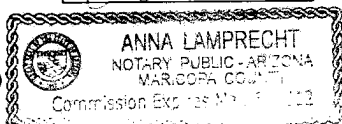
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

29th

DAY OF

(SEAL)



MY COMMISSION EXPIRES

March 6, 2012

NOTARY PUBLIC NAME	Anna Lamprecht	
COUNTY NAME	Maricopa	
MONTH	April	2008

X


SIGNATURE OF NOTARY PUBLIC